

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2177 – SB 2184

March 2, 2016

SUMMARY OF ORIGINAL BILL: Prohibits a healthcare payor, when determining any gain-sharing or risk-sharing for a physician, from attributing to the physician any costs for healthcare services that were provided by individuals or entities outside of the control of the physician or the physician's group practice if including the costs reduces a physician's gain-sharing amount or increases a physician's risk-sharing amount. These restrictions do not apply to a physician who is providing healthcare services in the TennCare program pursuant to a freely negotiated risk-sharing contract between the healthcare payor and an accountable care organization, clinically integrated network, or other similar entity organized to provide such healthcare services on a risk-sharing basis.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$3,501,700/FY16-17
Exceeds \$3,666,300/FY17-18
Exceeds \$3,871,100/FY18-19 and Subsequent Years

Increase Federal Expenditures – Exceeds \$6,498,300/FY16-17 and
Subsequent Years

Increase Local Expenditures – Exceeds \$11,300/FY17-18
Exceeds \$25,400/FY18-19 and Subsequent Years

SUMMARY OF AMENDMENT (012750): Deletes all language of the original bill. Requires a healthcare payor, when determining any gain-sharing or risk-sharing for a physician, to disclose all costs of treatment included within the medical service subject to the alternative payment system. The costs of such treatment shall be identified by patient, date of service, provider of service, place of service, service description, service claim code, and amount, and shall be included in the regular report provided to the physician related to the alternative payment system.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds \$12,102,700/FY16-17
Exceeds \$13,560,200/FY17-18 and Subsequent
Years

Increase Federal Expenditures – Exceeds \$19,754,800/FY16-17 and
Subsequent Years

Increase Local Expenditures – Exceeds \$100,300/FY16-17
Exceeds \$200,700/FY17-18 and Subsequent
Years

Assumptions for the bill as amended:

- Based on information provided by the Department of Finance and Administration, Divisions of Benefits, the proposed legislation will result in a one percent increase in carrier's medical claims.
- In 2014, the total amount of claims was \$501,723,536. Assuming the one percent increase, it is estimated claims will increase by \$5,017,235 ($\$501,723,536 \times .01$) in FY16-17.
- Of the total projected loss of savings, 52 percent would be realized by the State Employee plan, 40 percent by the Local Education Plan, and 8 percent by the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in an increase in state expenditures of at least \$2,087,170 ($\$5,017,235 \times 0.80 \times 0.52$).
- According to Benefits Administration, the state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members) resulting in an increase in state expenditures of at least \$827,844 [$(\$5,017,235 \times 0.40 \times 0.75 \times 0.45) + (\$5,017,235 \times 0.40 \times 0.25 \times 0.30)$].
- The total increase in expenditures for Benefits Administration is estimated to be \$2,915,014 ($\$2,087,170 + \$827,844$).
- Based on information provided by Benefits Administration, their reporting for the risk sharing and gain sharing will not start until January 2017; therefore, the increase to state expenditures for Benefits Administration is estimated to be \$1,457,507 ($\$2,915,014 \times 0.50$) in FY16-17 and \$2,915,014 in FY17-18 and subsequent years.
- The state does not contribute to the Local Government plan. Participating agencies and their employee's expenditures are estimated to be \$401,379.
- The average local government contribution to member premiums is unknown. It is estimated that participating local governments contribute 50 percent to member premiums and that participating local government expenditures will increase by at least

\$200,689 ($401,379 \times 0.50$). Half of this increase, or \$100,345, will be realized in FY16-17.

- Based on information provided by the Bureau of TennCare, the proposed legislation will result in an increase of \$22,400,000 in payments to providers and \$8,000,000 in system costs to alter all managed care organizations' systems to send the newly required information for all alternative pay systems.
- The total increase in expenditures is estimated to be \$30,400,000 (\$22,400,000 + \$8,000,000).
- These expenditures receive federal matching funds of 64.983 percent; therefore, the state expenditures will be 35.017 percent.
- The recurring increase in state expenditures through TennCare is estimated to exceed \$10,645,168 ($\$30,400,000 \times 0.35017$) in FY16-17 and subsequent years.
- The recurring increase in federal expenditures through TennCare is estimated to exceed \$19,754,832 ($\$30,400,000 \times 0.64983$) in FY16-17 and subsequent years.
- The total recurring increase in state expenditures is estimated to exceed \$12,102,675 ($\$10,645,168 + \$1,457,507$) in FY16-17 and \$13,560,182 ($\$10,645,168 + \$2,915,014$) in FY17-18 and subsequent years.
- The recurring increase in federal expenditures is estimated to exceed \$19,754,832 in FY16-17 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee" followed by the letters "RNC" in a smaller, slightly slanted font.

Krista M. Lee, Executive Director

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